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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of

Federal-State Joint Board on
Universal Service

Comments on the Rural Task Force
Recommendation – FCC-00J-3

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

CC Docket No. 96-45

**SULLY BUTTES TELEPHONE COOPERATIVE, INC. REPLY COMMENTS ON
THE RURAL TASK FORCE RECOMMENDATION TO THE FEDERAL-STATE
JOINT BOARD ON UNIVERSAL SERVICE**

Sully Buttes Telephone Cooperative, Inc. (Sully Buttes), by its attorneys, hereby files reply comments in connection with the Recommendation of the Rural Task Force (RTF) to the Federal-State Joint Board on Universal Service concerning high cost universal service support for rural carriers. Specifically, Sully Buttes agrees with those commenters who support the RTF's recommendation to provide support for rural exchanges that have been sold or transferred.¹

In the Recommendation, the RTF states that it has concerns that Section 54.305 of the Commission's current rules, which provides that per-line support for a transferred exchange remains equal to the per-line amount of support that the seller was eligible to receive prior to the transfer, limits the ability of acquiring carriers to make new investments to upgrade their networks. Accordingly, the RTF recommends that the FCC establish a "safety valve

¹ See, Comments of Citizens Communications Company at 4; Comments of Iowa Telecommunications Services, Inc. at 7; and Comments of VALOR Telecommunications Enterprises, LLC at 2-4.

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mechanism” for rural carriers which acquire access lines due to sale or merger that would provide some additional universal service support for new investments. In its illustration of how such a mechanism would work, the safety valve universal service support would be additional high cost loop (HCL) support, over and above the support transferable to the study area under the provisions of Section 54.305. According to the illustration, at the end of the first year of operations a study area HCL “expense adjustment” would be calculated (the “index year expense adjustment”). At the end of each subsequent year, a study area HCL “expense adjustment” would be calculated and compared to the “index year expense adjustment.” Fifty percent of any positive difference between the subsequent year “expense adjustment” and the “index year expense adjustment” would be designated as the safety valve adjustment and would be provided as universal service support to the study area in addition to amounts available under Section 54.305. However, the sum of the safety valve adjustments for all study areas would not exceed 5 percent of the indexed HCL fund cap for Rural Carriers.

Sully Buttes agrees with those commenters who support the RTF’s recommendation to allow acquiring rural carriers to receive universal service support to offset the infrastructure improvements made after the sale or transfer of lines. As indicated by the RTF, Section 54.305 of the Commission’s current rules limits the ability of acquiring carriers to make the necessary investments to upgrade networks and to ensure that customers in rural areas have access to services that are comparable to those in urban areas. Similar concerns with Section 54.305 were recognized by the Joint Board in its recent Recommended Decision concerning hold-harmless universal service support, in which the Joint Board stated that the rule has “negative consequences” with regard to transfers of exchanges between carriers that are not both receiving support based on the forward-looking mechanism because it “prevents the acquiring carrier from

receiving an amount of support related to the costs of providing supported services in the transferred exchange.”²

Sully Buttes recently purchased a small, rural exchange in South Dakota, serving approximately 2,400 access lines. As part of its efforts to improve service to this exchange, Sully Buttes has planned \$1 million in capital expenditures for the first two years of operation to replace a switch and add fiber facilities. The RTF’s recommendation, which would allow Sully Buttes to recover some portion of these investments, is consistent with the principle that consumers in rural and high-cost areas should have access to telecommunications and information services at rates that are reasonably comparable to those in urban areas. A mechanism, like the one proposed by the RTF, also would help to alleviate the “negative consequences” of Section 54.305 identified by the Joint Board namely, that acquiring carriers are prevented from receiving an amount of support related to the costs of providing supported services in the transferred exchange. The RTF’s recommendation also is in keeping with the requirements of the Communications Act in ensuring adequate universal service support for rural areas.

Sully Buttes agrees, however, with those commenters who argue that the caps on support contained in the recommendation may not allow adequate recovery of new investments.³ Accordingly, Sully Buttes joins those commenters in requesting that the Joint Board evaluate whether the fifty percent limitation and the five percent cap on the safety valve adjustment are consistent with the requirement of ensuring adequate universal service support for rural areas.

² *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Recommended Decision, FCC 00J-1, at ¶20, released June 30, 2000 (Recommended Decision).

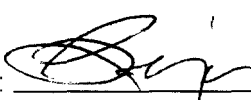
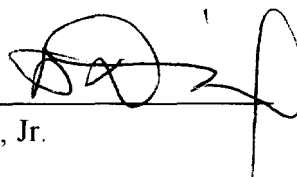
³ Comments of Citizens Communications Company at 5; and Comments of Iowa Telecommunications Services, Inc. at 6.

CONCLUSION

Based on the foregoing, Sully Buttes urges the Joint Board to adopt the RTF's recommendation and develop a mechanism that allows for additional universal service support for new investments made in connection with acquired lines. Sully Buttes further requests that the Joint Board consider whether any caps on support following the sale of exchanges is warranted.

Respectfully submitted,

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Dated: November 30, 2000

CERTIFICATE OF SERVICE

I, Althea B. Pierce, do hereby certify that on this, the 30th day of November, 2000, a copy of the foregoing Reply Comments was served by first class United States mail, postage prepaid or hand-delivered, to the parties listed below:

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